

February 13, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

## **STATE LEGISLATIVE UPDATE**

### **Budget Update**

While little seems to be happening these days in Sacramento, in fact this is the norm for this point in the Session. With the February 21 deadline for bill introductions fast approaching, most of the focus at this time is on getting bills drafted and introduced.

This year, due to the Governor's mid-year budget reduction proposals which he requested action on by the end of January, the Legislature began the Session with a sense of urgency and quickly adopted budget reduction bills and ABX1 4, which would clarify the law regarding the exercise of the VLF trigger. But once the Governor announced he would veto ABX1 4, the urgency evaporated. At this point, none of the budget related bills including ABX1 4 have been sent to the Governor and the special session has not adjourned. This week the Legislature essentially recessed so Assembly Democrats could hold a retreat primarily to discuss the budget and develop a consensus on how to proceed.

When the Governor announced his veto plans, he indicated that he wanted the Legislature to adjourn the special session so he could call another one to quickly approve the budget reductions without the VLF bill. Because some of the budget related bills are still pending in the Senate, they could accomplish the same result by adding an amendment to one of them to decouple the budget reduction bills from ABX1 4, which the Governor could then veto without losing the savings. When the Legislature resumes business next week, we will have a good indication of whether the Democratic caucuses and the Governor have agreed to make a new start at working together.

Two bills were introduced last week that may figure prominently in an eventual budget settlement. SB 150 (Brulte) would grant the Department of Finance the authority requested by the Governor to be able to revise, alter or amend the State budget if it is in the interest of the State after the enactment of the Budget Act. Currently, the Department can only do so prior to the Budget Acts enactment. If enacted, the measure would give the Governor sweeping authority to cut the budget in the event of a budget shortfall that the Legislature could not or did not address. It is worth noting that the bill has been introduced by the Senate Republican Minority Leader. Senator Burton, on the other hand, has been quoted as saying that the proposal would only pass "over his dead body."

The other introduction likely to assume significance is SCA 3 (McClintock/Brulte) which would establish a new State spending limit, create reserve and tax rebate accounts to receive revenues in excess of the new spending limit, and modify the existing spending limit for local governments. The State spending limit contained in the bill is \$2.2 billion less than the spending level in the Governor's budget proposal. It is likely that this proposal is part of the package Senator Brulte had promised to balance the budget over a number of years without a tax increase.

### **Joint Hearing of the Senate Health and Human Services Committee and the Senate Budget and Fiscal Review Subcommittee #3**

The Senate Health and Human Services Committee and the Senate Budget and Fiscal Review Subcommittee #3 on Health, Human Services, Labor and Veterans will hold a joint informational hearing in Sacramento on Wednesday, February 26, 2003 at 1:30 p.m. The hearing, which will focus on the Governor's budget proposals, will consist of three panels comprised of Finance and LAO staff, as well as advocates and service providers who will discuss the impact of the proposals on health, human services and realigned services. We will provide additional details when available.

### **Senate Hearing on California's Emergency Medical Services**

On February 12, 2003, the Senate Health and Human Services Subcommittee on California's Emergency Medical Services (EMS) held an informational hearing on the crisis in the State's EMS system. Discussion focused on: (1) the level of uncompensated care provided by emergency departments and trauma centers, which has led many to close their doors, (2) ambulance diversion, and (3) the lack of statewide funding for the State's EMS system. The subcommittee plans to propose solutions to avoid additional closures.

One of the solutions that the chair of the Subcommittee, Senator Romero, intends to explore is a statewide measure similar to Los Angeles County's successful Measure B.

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Senator Romero and other health officials who testified believe Californians would support efforts to save the State's crumbling EMS system.

### **Senator Burton to Introduce Mandated Health Insurance Legislation**

Today, Senate pro Tempore John Burton announced that he would introduce legislation to require employers to either provide basic health care insurance to their workers and their dependents, or pay into a Statewide health insurance pool. While Senator Burton indicated that he does not yet know what this would cost California businesses, he stated that it would not drive people out of business. Senator Burton believes that his proposal could save the State \$1.5 billion to \$2 billion in health care costs. Details of the legislation still need to be worked out, such as (1) the employer/employee premium mix; (2) the minimum number of employee groups to be included; (3) health care cost controls, and (4) coverage for part-time employees. Supporters at the press conference included the California Medical Association and representatives from labor.

### **Legislative Analyst Report on Assembly Constitutional Amendment 11**

ACA 11, which will appear on the March 2004 statewide ballot, would establish the California Twenty-First Century Infrastructure Investment Fund. The fund, which would receive an increasing percentage of the State General Fund starting with 1 percent in FY 2006-07 until it reaches 3 percent, would be dedicated for capital projects allocated by the Legislature with the total amount divided evenly between State and local government (non-education) projects. The LAO report is available on their web site at [www.lao.ca.gov](http://www.lao.ca.gov).

We will continue to keep you advised.

DEJ:GK  
MAL:JR:ib

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